Washington, DC - In an effort to provide direct financial relief to tens of millions of American families, Congressman Maurice Hinchey (D-NY) today announced that he's introduced legislation that would cap interest rates on credit cards and all other loans at 15 percent. The Interest Rate Reduction Act would rein in the skyrocketing rates that banks and financial institutions are charging customers with little or no warning and without any justification. U.S. Senators Bernie Sanders (I-VT) and Richard Durbin (D-IL) authored the bill and are sponsoring it in the Senate.

"For years, the credit card industry has taken advantage of hardworking Americans by finding any little excuse or reason to dramatically increase their rates, which only serves to drive those people further into debt and make them more dependent on the credit card industry," Hinchey said. "The abuse exhibited by credit card and other lenders is a major reason for the economic hardships being felt in households all across America. A fair and healthy lending system is critical to the success of hardworking Americans and the recovery of the economy. This bill helps limit credit card and general lending abuse by placing a reasonable cap on the rates that can be charged to Americans. An interest rate cap gives the American people a legitimate chance to climb out of debt, enables lenders to still make a comfortable profit, and promotes long-term sustainable lending and borrowing practices."

Hinchey's legislation would impose a 15 percent interest rate cap on all loans at financial institutions. The bill would also impose a reasonable cap on lending fees, which have risen dramatically over the past decade. Importantly, the Federal Reserve could allow higher interest rates, but only under special circumstances when it determines that the 15 percent cap would threaten the safety and soundness of lenders and if money market interest rates have risen over the prior six months.

These are the same rules that currently apply to credit unions, which have been forbidden from charging usurious interest rates on credit cards and other loans to their members for nearly 30 years. The interest rate cap has protected consumers at credit unions from being charged usurious interest rates, has not harmed the safety and soundness of these institutions; and has not negatively impacted the access to credit of credit union members. Furthermore, credit unions have been able to stay afloat throughout the credit crisis and have not received one dime of taxpayer assistance.

Credit-card debt in the U.S. has reached a record high -- nearly $1 trillion. The average American household’s debt from credit cards has risen from $2,966 in 1990 to $9,840 in 2007.

The debt crisis inundating so many Americans is partly the result of an industry with few regulations and little oversight. Consumers nationwide are facing excessive credit card fees, sky-high interest rates, and unfair, incomprehensible agreements that credit-card companies revise at will. In 2007, credit-card issuers imposed $18.1 billion in penalty fees on families carrying credit card balances -- up more than 50 percent since 2003 and accounting for nearly half of the $40.7 billion in industry profits. Last year's estimates were that credit card companies would break all records for late fees, over-limit charges, and other penalties, and pull in more than $19 billion.